

Idaho State Group Insurance Advisory Committee
September 23, 2009
Meeting Minutes

The September 23, 2009 meeting of the Idaho State Group Insurance Advisory Committee was held in Conference Room 155, LBJ Building, 650 West State Street, Boise, Idaho.

ATTENDANCE

Members Present:

Senator Charles Coiner
Representative Anne Pasley-Stuart
Steve Kenyon, Clerk of the Idaho Supreme Court

Others Present:

Teresa Luna, Chief of Staff, Department of Administration
Cynthia Ness, Program Manager, Department of Administration
Connie Smith, Chief Financial Officer, Department of Administration
Rebecca Fry, HR Manager, Department of Administration
Margaret Odedo, Management Assistant, Department of Administration

WELCOME

Teresa Luna explained that Directory Gwartney would not be able to attend the meeting and welcomed everyone with introductions. She then explained that other members were not present today so the committee did not have a full quorum however Ms. Luna introduced a substitute agenda that included an overview of the following:

- Financial Aspects of Group Insurance
- Part-time Benefits
- Group Insurance Review
- Committee Members and Terms
- Upcoming Issues

It was agreed by all to accept the substitute agenda.

Financial Aspects of Group Insurance - Ms. Connie Smith provided the committee with an overview of group insurance finance.

Paid Claims Actual claims paid during the plan year. The claims are paid based on the plan design and utilization of the plan by those covered. Paid claims account for 95% of premiums paid.

Reserves Incurred But Not Reported Reserves (IBNR). This reserve funds the carrier's liability in the event of contract termination. This reserve is held by the carrier and the State is paid interest on the reserve each month.

Premium Stabilization Reserve (PSR). These reserves are contractually obligated to the carrier in the event that claims exceed premiums collected. This reserve negates any risk charge that the carrier would otherwise charge the state.

Retention Carrier's cost of doing business. It includes premium tax, claims administration, and a profit margin which is equal to less than 1% of annual premium. Currently the retention charge on the plan is 5 cents on every dollar. During renewals each year, the State's outside actuary and the insurance carrier make a projection regarding the cost of the plan based on estimated claims and utilization of the plan by those covered. The carrier makes any necessary adjustment in their retention charge. The estimated cost is reduced by any

projected investment earnings. The resulting 'net cost' is the basis for establishing the actual premium rates that will be required to fund the projected costs.

The projection is based on expected "trend" which is the measure of expected inflation in the cost of health/dental care services, and utilization of the benefits by those covered on the plan. Inflation in the cost of health care services accounts for the majority of trend.

In recent years the Legislature has asked that Department of Administration to find a way to reduce the budget request because there were excess funds in the Group Insurance reserves. Although statute provides for use of excess funds to buy down plan costs, the excess funds are one time monies. In a subsequent year, the amount needed to bridge the gap created by the reduced funding will be almost double the increase needed.

Ms. Smith continued presenting additional information regarding the Medical and Dental Appropriation components for FY10. For that year, agencies budgeted \$8,440 per employee for medical and dental benefits. The state's share of medical premium costs is 92%, and its share of dental costs is 40%.

Ms. Smith ended her presentation with the total reserved requirements. In preparation of the FY2011 budget, the state's outside actuary estimated that medical trend would be approximately 9%, and dental approximately 6%. However, in years following an economic downturn, trend has actually been higher. Given that, we may see trend to closer to 12% to 15%. However, we don't expect dental trend to vary to that extent.

Ms. Luna provided clarification on two slides – we have bought down cost for next year, but it will jump back up due to raising health costs. Ms. Smith also indicated that this is due to the retiree change in legislation.

Part-time Benefits - Ms. Rebecca Fry explained that the Governor requested that a part-time benefits committee be formed to review options available. Several agencies met beginning June 2008 for over seven months evaluating all options. Other states and counties plans were also reviewed. After reviews methods for rewarding part time benefits were identified.

- Increase minimum hours for benefit eligibility to 30 hrs.
- Pro-rate plan based on hours worked
- The decision was to move to a prorate system

Ms. Fry has been working with the Controller's Office on payroll coding issues. Once all agencies have had an opportunity to report all information, an audit will begin to verify if employees actually fit within a given tier and then adjustments will be made as necessary. This will be an on-going quarterly activity.

Ms. Luna indicated that we have met with personnel representative from BSU and have come to a compromise for tenured professors and tenure track.

Ms. Fry stated that IPOPS coding will be available and that she can help get some issues resolved. We currently have about 1600 employees that do not have the correct IPOPS code.

Ms. Luna provided a quick update on the retired employee legislation status. We had a number of individuals attend meetings in August where HB173 was explained. SHIBA representatives were on hand. We are looking for a nationwide provider that we can add to our current list. Currently PERSI administers this part of the program.

Group Insurance Review - Ms. Cynthia Ness explained how benefits are provided to employees. The state pays 100% of Life and Disability Benefits, 90% of Medical Plan and 40% of the Dental plan. As of September we had 2600 retirees still on the state plan. 300 have dropped recently.

Ms. Luna informed committee members that we have an extensive communication plan and that all retirees are receiving information. We will be sending specific information on the new proposed Rx rules to all retirees.

Ms. Ness provided a brochure "Benefits Overview", which is used when visiting other agencies and helps provide an overview for HR staff. She also indicated that as we send out communication, it will also be posted on our website. Additional information regarding recent guidelines for part-time employees will be supplied to committee members.

ANY OTHER BUSINESS

Committee Members and Terms – Ms. Teresa Luna provided status of the remaining committee seats and indicated that Retiree, Dick Humiston, and active employee Ms. Betsy Johnson will join the committee at the next meeting.

Upcoming Issues – Ms. Luna would like this committee to review Chair, Co-Chair status and terms of service. She would also like committee members to provide any additional information on agenda items that they would like to discuss.

The meeting adjourned 9:20 a.m.

Respectfully submitted



Margaret Odedo